

First stage quiz

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- OEIC investors are entitled to have dividends taxed as interest income if the OEIC has at least:
 - 25% of its assets in interest-bearing securities
 - 30% of its assets in interest-bearing securities
 - 50% of its assets in interest-bearing securities
 - 60% of its assets in interest-bearing securities
- At the start of the year your client's portfolio was valued at £50,000. At the end of the year the portfolio was worth £57,000. During the year the benchmark index moved from 7000 to 7700. The absolute return of this portfolio is:
 - 4%
 - 7%
 - 10%
 - 14%

3. Raj has a salary of £108,000. He has previously contributed to a self-invested personal pension (SIPP) as below. What is the maximum that can be invested into his SIPP in the 2021 / 2022 tax year, and still obtain tax relief?

Tax Year	Contribution
2017 / 2018	£0
2018 / 2019	£40,000
2019 / 2020	£35,000
2020 / 2021	£30,000

- A) £40,000
- B) £55,000
- C) £105,000
- D) £108,000

4. The Pension Protection Fund's (PPF) levels of compensation include:

- A) a spouse's pension of 75% of the PPF compensation amount
- B) 100% of the pension entitlement for members over the scheme's normal retirement date
- C) statutory increases in pension but only for pensions earned since April 2005
- D) 80% of the pension entitlement for members who have not yet reached the scheme's normal retirement date

5. Rainbow plc is quoted as 500-504. For IHT purposes, what would be the value using the quarter-up rule?

- A) 500
- B) 501
- C) 503
- D) 504

6. What type of national insurance contributions are paid by employers?

- A) Class 1 Primary
- B) Class 2 Primary
- C) Class 1 Secondary
- D) Class 2 Secondary

7. Martin, a UK resident, makes a gain on property abroad. What is the likely impact?

- A) CGT in the UK
- B) CGT in the country of the property
- C) CGT in both countries
- D) Double taxation agreement

8. Ben aged 44 has heard about the lifetime ISA (LISA) and is considering investing £4,000 p.a. Which of the following is true?

- A) Ben can draw benefits from his LISA from age 55 without forfeiting allocated bonuses
- B) Ben can withdraw benefits from the LISA at any time although penalties may apply
- C) Ben is not eligible to take out a LISA
- D) Ben will receive a bonus from the government of 25% of the amount saved each year subject to a maximum bonus of £1,000 p.a.

9. Which type of savings or investment product is always disregarded from an assessment of a claimant's capital, for the purpose of assessing how much they will need to pay in long term care fees?

- A) Investment bond
- B) Investment trust
- C) Premium bonds
- D) Preference shares

10. An eligible jobholder for automatic enrolment into a workplace pensions scheme is aged at least:

- A) 18
- B) 20
- C) 22
- D) 25

11. An investor is using the capitalisation rate to estimate the value of a buy-to-let property. How is it calculated?

- A) Gross annual rent divided by the property's sales price
- B) Sales price divided by the net annual rent
- C) Net operating income divided by the sales price
- D) Sales price dividend by the gross operating income

12. Three friends receive rental income. Andrea rents out the spare bedroom in her two bedroom house, for which she receives gross rental income of £320 per calendar month. Amanda rents out her two bedroom flat while working abroad on a two year contract, for which she receives gross rental income of £640 per calendar month. Tanya rents out the three bedroom house she inherited from her late mother, for which she receives gross rental income of £960 per calendar month.

In relation to the tax treatment of this income, and based solely on this data, it is reasonable to deduce that:

- A) only Andrea and Amanda could suffer tax at the rate of 20%
- B) only Andrea and Tanya could reduce their tax liability by claiming a wear and tear allowance
- C) only Amanda and Tanya could benefit by claiming property-related expenses
- D) only Tanya could suffer higher rate tax

13. What is the tax position of benefits paid from an immediate care long term insurance policy?

- A) They are paid tax free in all circumstances
- B) They are subject to income tax in all circumstances
- C) They are paid tax free, if paid directly to a care home
- D) They are only paid tax free, if paid directly to the policyholder

14. Why are wraps often able to offer reduced dealing costs?

- A) They have negotiated discounts directly with investment fund managers
- B) They subsidise this with account management fees
- C) They tend to invest in tax efficient structured products
- D) They are domiciled offshore

15. Your client, a basic rate taxpayer, has recently sold their classic car at auction for £80,000, having paid £50,000 for the car 3 years earlier. What is their capital gains tax liability?

- A) £0
- B) £1,770
- C) £3,000
- D) £6,000

16. A financial adviser is explaining the concept of risk and return with her client. She should point out that:

- A) the higher the risk taken, the greater the potential financial return
- B) lower levels of risk or uncertainty are associated with greater potential for financial returns
- C) diversification of investments will lower the risk and the potential returns
- D) higher levels of risk or uncertainty are associated with lower potential for financial returns

17. Sarah pays £25,000 into a bank account which pays a fixed return of 4% per annum. Ignoring taxation, how much will be in the bank account after three years?

- A) £27,040.00
- B) £28,000.00
- C) £28,121.60
- D) £29,249.46

18. When deciding on whether to purchase a care fee annuity, an important point to note is:

- A) income received is subject to income tax
- B) no capital is returned on death
- C) payments made directly to the care home are taxable
- D) the income received is always linked to inflation

19. Which of the following will pay the HIGHEST amount of SDLT on the relevant transaction?

- A) Ann, purchasing her new main residence for £300,000
- B) Company A, purchasing a residential property for £600,000
- C) Jeff, purchasing a second home for £600,000
- D) Company B, selling a factory for £2,000,000

20. Which of the following usually includes a survival period?

- A) Critical illness cover
- B) Death in service insurance
- C) Income protection cover
- D) Key person insurance